

Message Text

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TO AMEMBASSY KINGSTON PRIORITY

INFO AMEMBASSY CARACAS PRIORITY

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E.O. 11652: N/A

TAGS: EINV, ENRG, JM

SUBJECT: GOJ NEGOTIATION WITH ESSO

1. JOHN FINLAY, VICE PRESIDENT, ESSO'S INTER-AMERICAN REGIONAL OPERATING AFFILIATE, AND EXXON WASHINGTON REPRESENTATIVE (JESSUP), CALLED ON DEPUTY ASSISTANT SECRETARY LUERS MAY 15 TO DISCUSS FORTHCOMING NEGOTIATION BETWEEN EXXON AND THE GOJ. FINLAY PROVIDED FACT SHEET DETAILING EXXON'S ASSOCIATION WITH THE JAMAICAN GOVERNMENT (COPY WILL BE POUCHED EMBASSY). HE REITERATED WHAT IS ALREADY KNOWN FROM REFTELS THAT GOJ HAS NOW INDICATED INTEREST IN TAKING OVER THE EXISTING ESSO REFINERY. IN PRELIMINARY CONTACTS TO DATE, ARTHUR BROWN, CHIEF GOJ NEGOTIATOR, HAS INFORMED ESSO THAT GOVERNMENT'S GOAL IN THIS NEGOTIATION WILL BE COMPLETE BUYOUT OF THE REFINERY. PURPOSE OF FINLAY CALL WAS TO EXCHANGE INFORMATION WITH DEPARTMENT REPRESENTATIVES ON SUCH ASPECTS AS (A) MANLEY'S POLICY TOWARD FOREIGN INVESTMENT, AND (B) POSSIBLE LINKAGE BETWEEN TIMING OF GOJ'S MOVE AND MANLEY'S RECENT VISIT TO CARACAS.

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2. FINLAY MADE IT CLEAR THAT ESSO IS QUITE PLEASED WITH THEIR EXISTING ARRANGEMENT IN JAMAICA AND THOUGH THE REFINERY MARKETING ARRANGEMENT IS NOT THEIR MOST LUCRATIVE,

IT WAS CLEAR THAT IT IS A PROFITABLE ENTERPRISE AND ONE WHICH EXXON WILL BE RELUCTANT TO RELINQUISH AND EXXON WILL BE PARTICULARLY UNHAPPY IF THEY ARE OBLIGED TO TURN OVER REFINERY TO THE GOJ AT BOOK VALUE. THEY ARE ALSO CONCERNED AT THE APPARENT HASTE AT WHICH GOJ IS MOVING IN ORDER TO BEGIN THE NEGOTIATION AND IN SETTING A JUNE 15 TARGET DATE FOR ITS CONCLUSION. FINLAY SAID THAT IN EXXON'S VIEW THE COMPLICATED DETAILS CANNOT POSSIBLY BE WORKED OUT BY THAT DATE.

3. DEPARTMENT OFFICERS RECALLED FOR FINLAY THAT JAMAICAN GOVERNMENT DID SEEM TO HAVE A CONTINUING INTEREST IN ENCOURAGING FOREIGN PRIVATE INVESTMENT IN JAMAICA. FOR THE MOMENT AT LEAST THIS WOULD ARGUE AGAINST THE JAMAICAN SIDE BASING ITS POSITION IN NEGOTIATION ENTIRELY ON IDEOLOGICAL CONSIDERATIONS. IT WAS POINTED OUT, HOWEVER, THAT PRIME MINISTER MANLEY COULD BE EXPECTED TO TAKE FULL CREDIT FOR SUCCESSFUL NEGOTIATION IN ORDER TO ENHANCE HIS OWN POLITICAL STATURE. THUS NEGOTIATION WOULD NOT NECESSARILY BE ARGUED ON THE ECONOMIC MERITS OF THE CASE IN VACUO.

4. EXXON REPS WERE PARTICULARLY INTERESTED IN KNOWING WHETHER OR NOT VENEZUELANS MIGHT BE BEHIND THE JAMAICAN INITIATIVE, PUSHING JAMAICANS TO MAKE REFINERY A STATE-OWNED ENTERPRISE SO THAT VENEZUELA COULD SELL CRUDE TO THE JAMAICAN-OWNED FACILITY. DEPARTMENT OFFICERS ADMITTED THAT THIS COULD BE A POSSIBILITY; HOWEVER, THEY WERE HARD PRESSED TO ACCEPT THIS HYPOTHESIS WITHOUT QUESTION, PARTICULARLY GIVEN THE COMPARATIVELY SMALL SIZE OF THE REFINERY IN QUESTION.

5. FINLAY SAID THAT EXXON WISHED TO KEEP USG AND THE EMBASSY INFORMED AS THE NEGOTIATION PROCEEDED. MR. LUERS ENCOURAGED THEM TO DO THIS. AS OF

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NOW, EXXON HAS TWO NEGOTIATING SESSIONS SCHEDULED WITH ARTHUR BROWN AND THE JAMAICAN NEGOTIATORS, THE FIRST ON MAY 23 AND A FOLLOW UP SESSION SET FOR JUNE 3. FINLAY SAID IT WOULD NOT BE POSSIBLE FOR THEM TO GET DOWN TO SUBSTANCE IN THE FIRST SESSION INVIEW OF THE FACT THAT CONSULTATION WITH SHAREHOLDERS WAS NOT SCHEDULED BEFORE MAY 27. KISSINGER

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